

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04

SIL-01 AGR-05 L-03 H-02 DODE-00 PA-01 PRS-01 FEAE-00

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R 240803Z JUN 75

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 5759

CONFIDENTIAL RABAT 3015

E.O. 11652: GDS

TAGS: EGEN EINV EFIN MO

SUBJ: RECOMMENDATIONS FOR REVISING DEVELOPMENT PLAN RELEASED

BY SPECIAL SESSION OF HIGHER PLANNING COUNCIL (HPC)

REF: A. RABAT 2951

B. RABAT 2796

1. SPECIAL SESSION HPC CLOSED SATURDAY, JUNE 21, ONE DAY

LATER THAN TARGETTED. MEMBERS SENT MESSAGE TO KING INFORMING
HIM THEY HAD CARRIED OUT ROYAL DIRECTIVES REPORTED REFTEL A.
PLAN REVISIONS, AS ADOPTED, CLOSELY PARALLEL EXPECTATIONS
WITH SURPRISE ADDITION OF RECOMMENDATION THAT TWO YEAR OLD
INVESTMENT CODE BE REVISED. PRINCIPAL RECOMMENDATIONS ARE:

A. PRIORITY TO BE GIVEN TO PREPARING FOR INTEGRATION
OF "DESPOILED REGIONS" INTO NATIONAL DEVELOPMENT PROGRAM,
INCLUDING CREATION OF SAHARAN DEVELOPMENT FUND.
B. NEW EMPHASIS TO BE GIVEN TO INCREASED ECONOMIC AND
FINANCIAL COOPERATION BETWEEN ARAB STATES, ESPECIALLY WITH
RESPECT TO INDUSTRIAL INVESTMENT.
C. INCREASED EFFORTS TO BE DEVOTED TO TECHNICAL
EDUCATION AND "FORMATION OF CADRES."

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D. IMPROVED BENEFITS TO WIDOWS AND CHILDREN OF MEMBERS

OF RESISTANCE GROUPS AND MEMBERS OF THE LIBERATION ARMY.

E. INCREASED CREDITS AND SUBSIDIES TO FARMERS TO COVER COSTS OF SEEDS, FERTILIZERS, AND IMPROVED INCENTIVES FOR SUGAR BEET AND CEREALS GROWERS.

F. ADAPTATION OF INVESTMENT CODE TO TAKE INTO ACCOUNT CURRENT DOMESTIC AND INTERNATIONAL ECONOMIC REALITIES.

2. BEGIN COMMENT. WE HAVE NOT MADE ALL THE CONTACTS WE HOPE TO MAKE TO ASSESS FULL IMPLICATIONS PLAN REVISIONS. HAVE, HOWEVER, SPOKEN TO WELL-PLACED SENIOR MOROCCAN NATIONAL WHO IS MIDDLE EAST REP MAJOR US COMMERCIAL BANK. CONTACT, WHO HAD JUST COME FROM SPEAKING TO TOP BANQUE DU MAROC OFFICIAL, CONFIRMED THRUST OF PARAS 3, 4, AND 5 REF A ADDING FOLLOWING NOTIONS:

A. EFFORT WILL SHORTLY BE OPENED TO GET OIL-RICH ARAB BROTHERS--INCLUDING LIBYA--TO COUGH UP ADDITIONAL FUNDS FOR "SAHARA FUND" PLUS AS MUCH MONEY AS CAN BE SPARED TO MINIMIZE IMPACT OF CURRENT CASH FLOW ON MAJOR DEVELOPMENT PLAN OBJECTIVES.

B. EURO-MARKET BORROWING STRATEGY HAS BEEN REVISED IN LIGHT OF HPC REVIEW AND INCREASED GOM NEEDS. ANNOUNCEMENT MAY BE MADE WITHIN FEW DAYS OF SELECTION MAJOR US BANK CONSORTIUM TO HANDLE \$200 MILLION PLACEMENT. THIS IS DOUBLE EARLIER EXPECTATION. FURTHER BORROWING MAY BE ESSENTIAL LATER IN YEAR. (CONTACT IS IN POSITION TO KNOW AND WE PLACE ESPECIALLY HIGH CREDENCE THIS ELEMENT OF HIS ASSESSMENT.)

C. BALANCE OF PAYMENTS OUTLOOK IS NOW FOR DH 1000 MILLION OVERALL DEFICIT (ALMOST \$400 MILLION TURNAROUND FROM 1974, CF. PARA 5 REF B).

3. IMPROVED SOCIAL SECURITY BENEFITS TO MILITARY DEPENDENTS MAY MERELY BE INTENDED TO ENCOURAGE LOYALTY AND WILLINGNESS TO SACRIFICE ON PART OF MILITARY AT TIME OF SAHARA CRISIS. BUT WHEN PEOPLE START TALKING ABOUT "WIDOWS AND ORPHANS", LOOK OUT. THIS MAY BE A PRELIMINARY CUSHION FOR REDUCED SUBSIDIES TO BASIC FOODSTUFFS WHICH MANY BELIEVE ARE INEVITABLE GIVEN PRESENT BUDGET CRUNCH.

4. WE PLEASED BY RECOMMENDATIONS THAT INVESTMENT CODE SHOULD BE REVISED TO TAKE INTO ACCOUNT CURRENT DOMESTIC AND INTERNATIONAL REALITIES. RECENT BCIU GROUP WAS GIVEN CONFIDENTIAL

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PARTICULARLY WARM RECEPTION (SEE RABAT 2945). AS RESULT AMBASSADOR'S EXCHANGE OF VIEWS AND OUR SUBSEQUENT CONVERSATIONS WITH SENIOR GOM ECONOMIC OFFICIALS, WE HAVE BEEN AWARE THAT GOM INTENDING TO GO AFTER FOREIGN INVESTMENT CAPITAL WITH NEW DETERMINATION. WE HOPE THAT ACTION PROGRAM RELEASED BY HPC WILL LEAD TO CLARIFICATIONS IN CODE REMOVING AMBIGUITIES WHICH HAVE IN PAST PERMITTED SOME NEGATIVE ADMINISTRATIVE DECISIONS. FOR EXAMPLE, INVESTORS EXEMPTED

FROM MOROCCANIZATION PROVISIONS OF CODE HAVE, BY ADMINISTRATIVE DECISION, NOT BEEN ABLE TO OBTAIN TAX AND INTEREST RATE INCENTIVES. WHILE WE MUST WAIT TO SEE JUST HOW HPC RECOMMENDATIONS ON INVESTMENT ARE TO BE IMPLEMENTED, THIS SEEMS PRIME AREA FOR LIBERALIZATION. GOM MAY ALSO FEEL THAT EXCLUSION OF MOHAMMEDIA-CASABLANCA-RABAT REGIONS FROM CODE INCENTIVES WAS PREMATURE, GIVEN NEGATIVE WORLD INVESTMENT CLIMATE AND HIGH CURRENT DOMESTIC NEED TO ATTRACT CAPITAL.
END COMMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, INVESTMENT LAW, PHOSPHATES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975RABAT03015
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750219-0117
From: RABAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750621/aaaaasvp.tel
Line Count: 125
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 RABAT 2951
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 AUG 2003 by CunninFX>; APPROVED <03 DEC 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RECOMMENDATIONS FOR REVISING DEVELOPMENT PLAN RELEASED BY SPECIAL SESSION OF HIGHER PLANNING COUNCIL (HPC)
TAGS: EGEN, EINV, EFIN, MO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006